



## CASE OF THE WEEK

### Participant in Two 401(k) Plans

Our ERISA consultants on the Columbia Management Learning Center Resource Desk regularly receive calls from financial advisors on a broad array of technical topics related to IRAs and qualified retirement plans. For example, through our relationship with the Columbia Management Learning Center, we routinely guide Columbia Management's financial advisor partners through the IRS rules and regulations that govern employees who participate in more than one retirement plan maintained by separate employers.

A recent call with an LPL advisor in Florida is representative of a common scenario involving an individual who participates in two 401(k) plans with separate employers and contributes both pre-tax salary deferrals and qualified Roth contributions. **The advisor asked: What is the maximum that my client can contribute between the two plans for 2010? What happens if my client exceeds the contribution limit?**

#### Highlights of Recommendations

- The combined total of pre-tax salary deferrals and qualified Roth contributions an individual can contribute in a calendar year is \$16,500 (plus an additional \$5,500 of catch-up contributions if the participant is age 50 or older) for 2010. This is known as the individual's "402(g)" limit.
- The 402(g) limit is *per individual*, regardless of the number of plans an individual participates in during the calendar year.
- If the participant's pre-tax salary deferrals and qualified Roth contributions exceed his/her 402(g) contribution limit, then the participant is responsible for notifying one of the plans and requesting a distribution of the excess amount.
- If a plan also has employer contributions, there is a separate *per plan* contribution limit for each participant that applies known as the "annual additions limit." The annual additions limit per participant per plan maintained by a separate employer is 100 percent of the participant's compensation up to a maximum of \$49,000 (increased by any catch-up contributions).

#### Conclusion

Determining contribution limits when an individual participates in more than one plan maintained by separate employers can be tricky. It is important to remember that there is only one 402(g) contribution limit for each participant, regardless of the number of plans in which he/she may participant. Conversely, there is a separate annual additions limit for each participant per plan maintained by a separate employer.

Financial advisors who can demonstrate their knowledge of contribution limits involving multiple plans of separate employers set themselves apart from the average advisor and, thereby, win more clients and retirement plan business. As always, the Columbia Management Learning Center is available to help.